ESSAY

ON THE

PUBLIC FUNDS.

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ON THE

PRESENT STATE

OF THE

PUBLIC FUNDS.

RECOMMENDED TO

The PERUSAL of all who have ALREADY, or MAY be inclined to veſt their Property therein.

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LONDON:

PRINTED and SOLD by the BOOKSELLERS. 1778.

[Price SIXPENCE.]

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PUBLIC FUNDS.

THERE are families in this kingdom, and I feel for their ſituation, whoſe whole property is veſted in the Funds. It is for the benefit of ſuch principally that I have written this Eſſay, the better to enable them to determine what meaſures they are to purſue in the preſent untoward ſtate of public affairs. To be reduced from a condition of competency to beggary, by ſo ſudden a tranſition as may happen from placing an over-weening confidence in

our funds, is too important a circumſtance to be diſregarded. I do this the rather, becauſe deceptive and fallacious reaſonings have been given to the public, I preſume not without intereſted views of one kind or other; but whether ignorant, or inſidious, they may have a tendency to buoy up the party intereſted with flattering but falſe hopes, and thereby be productive of much future affliction, when no remedy can be adminiſtered. As yet, matters with them, are not quite reduced to this deſperate extremity; I hope too they never will: But hope is frequently deluſive and partial; and to act circumſpectly we muſt have recourſe to reaſon, our beſt ruler and guide.

I am well aware that the ſtock-holder who purchaſed before the American diſpute took place, were he to ſell out at the preſent price, would be a conſiderable loſer.

But

But this is not the only point to which he is now to direct his attention, or by which he is to be governed. There are other conſiderations likewiſe which concur to determine the manner in which he is now to proceed. When theſe ſhall have been properly diſcuſſed, he will then be enabled from the reſult to determine for himſelf; and till he has done this, or ſomebody for him, he can have no adequate idea of this ſubject; his determination muſt be fluctuating; and for want of being founded on ſome degree of certainty, muſt ſtill continue wavering, irreſolute, and uncertain.

The public funds are a national ſecurity to pay the intereſt of monies which have been borrowed by Government, and are expended. The contract is, that Government will duly pay the intereſt of the debt; and ſhall have the liberty of

paying the principal, then only, when it ſees convenient. Government then, is under no obligation to pay the principal; and engages to pay the intereſt only.

All obligations, whether public or private, are confined to the abilities of the debtor; that is, when the performance exceeds his abilities, the effect is neceſſarily the ſame as though the obligation were null and void: incapacity, is ſuperior to all obligations, which it cancels by rendering them of no effect. This national ſecurity is founded on the *means* of faithfully performing the contract, that is, of regularly diſcharging the intereſt of the debt; and ſo long as the general opinion of mankind countenances the means, by judging them ſufficient, ſo long is this national ſecurity eſteemed good; in proportion as they become queſtionable, that ſecurity in public eſtimation becomes doubtful;

doubtful; and in ſuch caſes we expreſs ourſelves by ſaying the national credit is good, or bad, according to the predominant public opinion concerning thoſe means; and the public opinion concerning this national ſecurity or credit is determinable by the marketable price or value of ſtock; or in other words, the marketable ſtock of theſe funds is higher or lower in price determinable by the influence of public judgment on the validity of the ſecurity of this national credit; for that judgment being generally founded on ſome probable and rational cauſe, will always operate on ſuch ſtock in proportion thereto.

The cauſes by which this national credit or ſecurity is affected, are principally theſe: The quantity of national debt; peace and war; and the increaſe or decreaſe of that ſource which ſupplies monies for the payment of the intereſt; a

conſiderable part of which ſource is commerce. But peace and war are but ſynonimous terms in effect for increaſe and decreaſe of national debt; becauſe increaſe of the national debt is a certain conſequence of war; and peace decreaſes it ſomewhat, or at leaſt doth not increaſe it.

War, therefore, is one grand and principal cauſe by which the ſtocks are affected; it invalidates them, or lowers their price, for a moſt evident and obvious reaſon; becauſe it increaſes the national debt, and the more that is increaſed, the national ſecurity and credit become proportionably doubtful; for when it arrives at a certain degree, it may be queſtionable whether or not the money to be raiſed on the ſubject for the payment of the intereſt can poſſibly be accompliſhed. And when the debt ſhall arrive at that degree of mag-

magnitude which makes it impoſſible to pay the intereſt, there ends at once all public credit.

There muſt be a point ſomewhere, though perhaps not preciſely known, at which, when the national debt arrives, a bankruptcy muſt immediately enſue. In proportion as the national debt increaſes, it draws towards this point, and the danger becomes proportionably great; while the further we advance to the centre of the vortex, the more rapid will be the motion, and the ſooner we ſhall be ingulfed. If the ſecurity be good for 50,000,000l. it doth not follow it ſhould be ſo for 2 or 300,000,000l. Thus when the national debt in time of peace was about 135,000,000l. the three per cents. were about 87l. that is, it was advanced ſo far towards that point at which bankruptcy muſt enſue, as (without taking any thing more into the eſtimate

mate than its own influence from its bulk) made the ſecurity become ſuſpicious in the proportion of 13l. in the 100l. The national debt is now about 170,000,000l. and the ſame three per cents. are about 60l. that is, the ſecurity is now become ſuſpicious in the proportion of 40l. to the 100l.

The laſt 35,000,000l. then which were added to the national debt ſeem to have had more than double the effect on national credit than the whole preceding ſum of 135,000,000l. for the 135,000,000l. affected it but in the proportion of 13l. in the 100l. and the laſt 35,000,000l. in the proportion of 27l. in the 100l. for it is now ſuſpicious in the proportion of 40l. in the 100l. 40l. being the aggregate ſum of both effects. But we muſt not impute the whole of this 27l. to the ſole effect of the 35,000,000l. addition of national debt,

debt, but muſt deduct from it ſomewhat for the preſent doubtful ſuſpenſe of peace or war, as well as for the dubious ſtate of commerce; as war, or an impaired commerce, as obſerved above, will have the ſame effect on public credit, as an addition of national debt would give it.

But deduct as you pleaſe for theſe collateral aids, which unqueſtionably have had a direct tendency to injure public credit; yet certain it is theſe laſt 35,000,000 of additional national debt have notwithſtanding had a violent operation, and have principally contributed to injure public credit in that exceſs we now behold it. If from the 27l. we caſt off the units, and place them to the account of the doubtful ſtate of war and commerce, the remaining 20l. will be the pure effect of 35,000,000l. increaſe of national debt upon 135,000,000l. And therefore if 135,000,000l. of national debt affected national credit as 13 are to

100, and an additional debt upon that of 35,000,000l. affected it ſo much as 20 in the 100; it ſeems highly probable that national credit is drawing near to that point at which its diſſolution will take place.

For, if abſtractedly from any conſideration of war and commerce, and for which we allowed and deducted ſeven per cent. the laſt 35,000,000l. for its own ſhare only affected national credit in the proportion of 20l. in the 100l. while 135,000,000l. before affected it only in the proportion of 13l. in the 100l. it is evident that all future increaſe of the national debt muſt act ſtill more forcibly on national credit, and this with redoubled and multiplied violence the nearer that debt approaches towards the point of its diſſolution: And that a ſacrifice of 20l. per cent. again for the next 35,000,000l. will

will not be ſufficient, if 30l. or 40l. would.

And if we further take into conſideration that this money could only then be wanted when it is time of war, and that war and declining commerce affect national credit in the ſame manner as an increaſe of national debt; and that at ſuch a period, ſeven per cent. as before, will not then be a ſufficient allowance for *their* effect only; and that the nearer public credit draws to a criſis, the more people become alarmed, and that their fears will prematurely bring on that event; I ſay, under all theſe conſiderations, that an addition of 35,000,000l. more to what the national debt now is, would go near to give the finiſhing ſtroke to the exiſtence of national credit. At which time a ſcene of diſtreſs will be exhibited which no age or nation from a like cauſe can parallel,

becauſe no age affords an inſtance wherein any nation became bankrupt for a ſum in any degree proportionable to that for which this nation will become inſolvent.

But let us ſuppoſe the beſt that can poſſibly happen in our ſituation, which is, that peace with all the world be immediately proclaimed and eſtabliſhed; and that commerce ſtands on as good a footing as before the American conteſt began; that there be no further increaſe of the national debt, at leaſt in our time; and that we ſit quietly down with it as computed, at 170,000,000l. This, I preſume, is the moſt eligible ſtate a reaſonable man can flatter himſelf withal. In this caſe, I ſay, it is evident that the ſtocks will riſe immediately; and *that* in proportion to the weight of influence which the apprehenſions from war and a decline in commerce had operated to ſink them.

them. This they would do in a manner almoſt inſtantaneous. But they are egregiouſly miſtaken who imagine they will riſe to the price at which they were immediately before the American conteſt took place, when the national debt was about 135,000,000l. The weight of the additional 35,000,000l. muſt be felt, they will operate, and have their conſequences, and the ſtocks will be in price in proportion to what the national debt NOW IS, and not what it THEN WAS.

If, therefore, in peace, and without a proſpect of war, the national debt being 135,000,000l. the three per cents. were at 87l. and, when an addition of 35,000,000l. was made to that debt, which increaſed it to 170,000,000l. and was doubtful, the ſame three per cents. were reduced to 60l. it is evident, that ſo far as the doubts concerning war and a decline in commerce

do

do not contribute to keep them down, the cauſe which doth ſo muſt become wholly imputeable to the 35,000,000l. of increaſed national debt.

As much power therefore as is imputeable to the preſent doubts concerning war and commerce, whether you eſtimate it at 6l. 8l. or 10l. per cent. be it whatever you will (thoſe objections being now removed on a ſuppoſition of peace) ſo much muſt be added to the 60l. at which thoſe ſtocks now are, and theſe two ſums taken together will be the price at which thoſe three per cents. will then be, provided you make a juſt calculation of, and proper allowance for the influence of the preſent ſtate of war and commerce on thoſe ſtocks. Thus, if you eſtimate the preſent doubtful ſtate of war and commerce at 10l. per cent. thoſe ſtocks may be ſuppoſed to riſe ſo high as 70l. that is 10l. added to 60l.

60l. the price at which they now are, and in like manner for any other ſum which may be judged more properly ſubſtituted.

The power then which now keeps them below 87l. the price at which they were when the debt was 135,000,000l. only, is the additional debt of 35,000,000l. which alone operates to that purpoſe; for could that 35,000,000l. of debt be thrown off, the ſame ſtocks would riſe to 87l. again, becauſe as the debt would then be but 135,000,000l. inſtead of 170,000,000l. which it now is, ſo would the ſtocks return to their former value again, bearing the ſame equal proportion to the quantity of the debt: But the former debt being now loaded with an additional ſum of 35,000,000l. ſo the ſtocks follow the exigency, and become low in proportion, as we now ſee them.

We may collect therefore from what has been ſaid, that it were futile to imagine, even if peace and commerce were firmly re-eſtabliſhed, that the three per cents. can ever riſe to 87l. again ſo long as the national debt remains 170,000,000l. and this for the like reaſon, that when the national debt was 135,000,000l. they were at 87l. and not at par. The moſt we can flatter ourſelves with, is, to ſee them riſe to 70l. The principal cauſe which can make them advance beyond this price being a reduction of the national debt, (which muſt be effected by ſavings from the uſual revenue, or by an increaſe of commerce) blaſts every riſing hope of ſo deſirable an event, at leaſt in our days. Such an increaſe of commerce as would be efficacious for this purpoſe, is ſo improbable a circumſtance, that ſo far from deſerving to be mentioned, it is folly to think of it. And as to a reduction of the

debt

debt by ſavings from the uſual revenue, this, we know from paſt experience, to be a very ſlow, tedious, and almoſt ineffectual operation; and, what is worſe, will in all probability be ſtill leſs efficacious in future, becauſe that debt being now greatly increaſed, requires a ſum proportionably larger annually to be raiſed on the public to pay the intereſt; and the greater the ſum neceſſary to pay the intereſt, the leſs remains to diſcharge the principal: So that little or no redreſs can be expected from either quarter in the reduction of the national debt.

Concluding therefore, as we certainly muſt, that the national debt is likely to continue at 170,000,000l. or very little leſs, even under the moſt favourable circumſtances, ſuch as an immediate peace and commerce re-eſtabliſhed, and that in ſuch caſe the three per cents. will not riſe

higher than 70l. the great queſtion with the ſtock-holder, whoſe whole property is veſted in the funds, is, whether or not it be moſt adviſeable for him to ſell out at the preſent price, which is about 60l. in order to re-purchaſe (if he prefers having his money in the funds) when peace is eſtabliſhed, at an advanced rate, which cannot exceed 10l. per cent. but probably may even then be purchaſeable conſiderably cheaper if he takes the proper opportunity of accommodating himſelf; or to continue his property there, and run the riſk of a war with France and America, which would certainly increaſe the national debt, and as certainly decreaſe the value of his ſtock, beſides the hazard he runs of that debt being ſo far increaſed thereby as to render that ſtock of no value whatever?

As

As in the one caſe, he runs the riſk of loſing but 10l. per cent. at moſt, with a bare poſſibility of doing that, and the probability in his favour that his loſs in ſelling out and repurchaſing will be but inconſiderable; and in the other, that his loſs may by continuing his money there be much more conſiderable, inſomuch that the whole may be endangered, and even loſt; it remains no doubt with me that the moſt eligible ſtep he can purſue, is to ſell out immediately for the beſt price he can get, and keep that money in readineſs either to re-purchaſe when peace ſhall be eſtabliſhed, if he prefers the funds to any other ſecurity; or to lay out the money on mortgage on a copyhold eſtate, or on a freehold in a regiſter county; or laſtly, to diſpoſe of it in the purchaſe of freehold land.

I am aware of the loſs he will ſuſtain by ſelling out at 60l. that, for which he gave perhaps 87l. or more; and that this loſs is 27l. on every 87l. which is upwards of 31l. on every 100l. But the queſtion with him is no longer what is loſt, and cannot be remedied, being already ſacrificed without redemption, or at leaſt the greater part of it, to the war; but, whether he ſhall ſecure the remainder, which he may yet do, or, leave *that* in uncertainty, and thereby riſk his ruin.

At the preſent moment war may be ſaid to hang in doubtful ſuſpenſe both with reſpect to America and France; ſhould war incline the balance, and we ſhould be engaged with both, or indeed with either, the national debt muſt thereby be conſiderably increaſed; and the expences of about four or five years, during which the ſtocks will be daily and hourly ſinking, will go near

near to determine the long-dreaded period of the funds. For five years war, at the rate only of ſeven millions annual increaſe of the national debt, which is a very moderate allowance, will make the whole debt amount to the ſum of 205,000,000l. at which time the ſtocks will become ſo very low, (for probably the three per cents. will not then be worth more than 20l.) and in conſequence of that the alarm will be ſo general and affecting, that there is the greateſt reaſon to imagine, when the debt ſhall arrive at the ſum of 205,000,000l. it will put an end to its own exiſtence.

Can it therefore be prudent in him, when at the hazard only of a few pounds on every 60l. and perhaps at no hazard at all, he may be ſecure in ſelling out; I ſay, can it be prudent in him to riſk the whole by continuing his ſtock in the

funds

funds on the uncertainty of a war, which could not fail to make his loſs very conſiderable, attended with ſtrong probabilities of his loſing the whole?

From what has been advanced above, I make the following concluſions.

That the national debt is at this time about 170,000,000l. and there is no probability of any material decreaſe thereof in our time.

That ſo long as the national debt is 170,000,000l. the three per cents. can hardly exceed the price of 70l. conſequently *we* ſhall never ſee them much above 70l. even in time of peace.

That war carried on againſt America, or entered into with France, will in a ſhort time have a violent effect upon ſtocks; they

they rapidly ſinking in value, as the national debt increaſes.

That five years war will coſt the nation 35,000,000l. extraordinary at the leaſt; which added to the preſent national debt will make it 205,000,000l.

And that 205,000,000l. of national debt will probably bring on a national bankruptcy.

That therefore, in our ſituation, we cannot enter into, or proſecute a war, unleſs it be the determined reſolution of Miniſtry to effect this bankruptcy.—And if they have no feeling for the people, let them at leaſt reflect on what terms they muſt expect to have future loans; if any can be had; and how much more diſadvantageous the terms of each in progreſſion muſt be, the nearer the matter draws to this period. And laſtly, whether it is not

moſt

moſt probable that the nation will be left with a general war againſt France, Spain, and America united, in the midſt of a national bankruptcy; and what in ſuch caſe would be the inevitable conſequence?

Theſe conſiderations demand the attention of Miniſtry, if they have courage enough to turn their eyes toward them, before they plunge us further into war. They have already brought us into ſuch a ſituation, that the nation at beſt is but in the ſtate of a forlorn hope; with all their amuſing parade of fleets and armies, expeditions and encampments, I ſee nothing but ruin ready to ruſh upon us from every quarter. And what ſalvation have the people to expect from the counſels of thoſe who have ignorantly or deſignedly brought us to this extremity of danger! It would be as reaſonable to expect to gather

ther figs from brambles, and grapes from thorns.

I have thrown theſe conſiderations together, and in pity to the ſtock-holder under the predicament before-mentioned, ſubmit them to his conſideration; who may now go upon ſome grounds, and thereby be better enabled to judge for himſelf; and I heartily wiſh they may be profitable to him, and that he may ſo avail himſelf that they may contribute to his happineſs. As for the gambler, it will eaſily be perceived, I write not for him; whatever his chance may be, like that of all other gamblers, it can excite neither joy nor commiſeration, ſince he who loudly proclaims to the world that he conſiders the property of others but as lawful plunder, and lives by their ruin, is an object, who, if he can attract the attention of others, it is only ſubmit-

ted to with the view of expreſſing their contempt of him, and their deteſtation of ſuch practices.

FINIS.